0296044
0-33019

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the Quarter ended March 31, 1992

11/15

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the Transition period ended _____ to _____

Commission File No. 0-19440

92-2293

CMS\DATA CORPORATION
(Exact Name of Registrant as specified in its charter)

FLORIDA	59-1854426
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification)

124 Marriott Drive
Park Centre, Suite 200
Tallahassee, Florida 32301
(Address of principal executive offices)
(Zip Code)

(904) 878-5155
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Common stock outstanding at May 13th, 1992

Title of each class	Number of shares outstanding
Common Stock, $.01 Par Value	3,859,000

BEST COPY AVAILABLE

L3C

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I: FINANCIAL INFORMATION

Item 1: FINANCIAL STATEMENTS

CMS/DATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Quarter Ended March 31,	
	1992	1991
Revenues:		
System Sales	$ $1,739,400	$ $2,518,000
Miscellaneous sales, services and software support agreements	1,376,100	873,400
Other revenue	50,900	43,100
Total revenues	3,166,400	3,434,500
Costs and expenses:		
Cost of sales and services	1,620,600	1,308,500
Software development costs	163,600	156,000
Selling, general and administrative	1,560,700	1,665,800
Depreciation and amortization	151,700	142,200
Provision to record decline in market value of investment securities	103,900	--
Interest	11,200	2,600
Total costs and expenses	3,611,700	3,275,100
(Loss) income before income taxes	(445,300)	159,400
Income taxes (benefit)	(220,700)	57,400
Net (loss) income	$ ($224,600)	$ $102,000
Net (loss) income per common share	$ ($0.06)	$ $0.03
Weighted average shares and share equivalents	3,859,000	3,608,000

See notes to consolidated financial statements

CMS/DATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
Revenues:		
System Sales	$ 6,484,700	$ 6,908,700
Miscellaneous sales, services and software support agreements	3,761,900	2,413,200
Other revenue	122,500	166,300
Total revenues	10,369,100	9,488,200
Costs and expenses:		
Cost of sales and services	4,245,400	4,073,800
Software development costs	610,500	398,000
Selling, general and administrative	5,570,400	4,186,200
Depreciation and amortization	448,900	285,500
Provision to record decline in market value of investment securities	103,900	--
Interest	17,700	11,900
Total costs and expenses	10,996,800	8,955,400
(Loss) income before income taxes	(627,700)	532,800
Income taxes (benefit)	(244,300)	187,400
Net (loss) income	$ (383,400)	$ 345,400
Net (loss) income per common share	$ (0.10)	$ 0.10
Weighted average shares and share equivalents	3,859,000	3,303,900

See notes to consolidated financial statements

CMS/DATA CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,784,700	$ 3,218,400
Accounts receivable, less allowance for doubtful accounts of $65,000 and $72,000	4,215,000	4,314,700
Inventory	15,000	106,100
Prepaid expenses	272,500	156,400
Total current assets	6,287,200	7,795,600
Equipment and leasehold improvements:		
Office equipment	315,700	310,600
Leasehold improvements	84,500	89,000
Computer equipment	1,422,200	1,222,000
	1,822,400	1,621,600
Less accumulated depreciation and amortization	(762,200)	(533,500)
	1,060,200	1,088,100
Marketable equity securities, carried at lower of cost or market	465,000	392,400
Excess of cost over net assets of acquired businesses, net of accumulated amortization of $140,000 and $50,000	2,287,200	2,377,200
Product development costs, net	1,740,100	968,400
	$ 11,839,700	$ 12,621,700
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 86,600	$ 36,000
Accounts payable	294,900	1,520,500
Accounts payable to affiliate	493,900	469,000
Accrued liabilities	787,000	806,600
Customer deposits	196,800	84,900
Deferred revenue	1,562,200	873,700
Total current liabilities	3,421,400	3,790,700
Long-term debt:		
Notes payable	134,000	48,400
Deferred income taxes	124,900	416,300
Total liabilities	3,680,300	4,255,400
Shareholders' equity:		
Preferred stock, $ .01 par value; authorized 5,000,000 shares; none issued		
Common stock, $ .01 par value; authorized 10,000,000 shares; issued 3,859,000	38,600	38,600
Additional paid-in capital	7,808,900	7,808,900
Retained earnings	311,900	695,300
Unrealized loss on noncurrent marketable equity securities	--	(176,500)
	8,159,400	8,366,300
	$ 11,839,700	$ 12,621,700

See notes to consolidated financial statements

CMS/DATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net (loss) income	$ (383,400)	$ 345,400
Adjustments to reconcile net (loss) income to net cash used for operations:		
Depreciation and amortization	448,900	285,500
Provision to record decline in market value of investment securities	103,900	--
Loss on sale of investment	--	1,900
Decrease (increase) in accounts receivable	99,700	(850,800)
Decrease (increase) in inventory	91,100	(151,400)
Increase in prepaid expenses	(116,100)	(87,500)
Increase in product development costs	(901,900)	(452,100)
Decrease in accounts payable	(1,225,600)	(89,600)
Decrease in accrued liabilities	(19,600)	(237,900)
Increase (decrease) in customer deposits	111,900	(700)
Increase in deferred revenue	688,500	357,700
(Decrease) increase in deferred income taxes payable	(291,400)	77,600
Net cash used for operating activities	(1,394,000)	(801,900)
Cash flows from investing activities:		
Capital expenditures	(200,800)	(357,000)
Payment for purchase of acquired companies net of cash received	--	(192,800)
Proceeds from sales of investment securities	--	20,600
Net cash used for investing activities	(200,800)	(529,200)
Cash flows from financing activities:		
Borrowings under debt agreement	173,100	--
Repayment under debt agreement	(36,900)	(11,400)
Net change in due to shareholders	--	(78,700)
Net change in due to affiliate	24,900	(12,400)
Cost from issuance of common stock	--	(67,200)
Cost of treasury stock	--	(100,000)
Net cash provided (used) for financing activities	161,100	(269,700)
Net decrease in cash and cash equivalents	(1,433,700)	(1,600,800)
Cash and cash equivalents, beginning of year	3,218,400	3,787,600
Cash and cash equivalents, end of year	$ 1,784,700	$ 2,186,800
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ --	$ 168,000
Cash paid during the year for interest	$ 17,662	$ 11,900

See notes to consolidated financial statements

CMS/DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1992
(Unaudited)

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the interim period have been included. Operating results for the three and nine month periods ended March 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 1992. For further information, reference is made to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany profits, transactions and balances have been eliminated.

Note B - Marketable Equity Securities

The Company has recorded a provision to establish a new cost basis in investment securities for which the decline in market value has been determined to be other than temporary.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Quarter and Nine Months Ended March 31, 1992 compared to March 31, 1991.

On February 8, 1991, the Company acquired CompInfo, Inc. ("CompInfo"), a New York-based developer and vendor of law firm and corporate legal department computer system software. On February 11, 1991, the Company acquired Canterbury Systems Corp. ("Canterbury"), a Toronto-based developer and vendor of software to the legal profession. CompInfo and Canterbury are sometimes referred to below as the "Acquired Subsidiaries." Unless otherwise indicated, the financial statement line items analyzed below include the accounts of the Acquired Subsidiaries from the dates of their respective acquisition. The March 1991 comparative figures for these companies reflect only seven weeks' activity.

The Company's revenues for the quarter ended March 31, 1992 were $3,166,400 (including $648,300 for the Acquired Subsidiaries) compared to $3,434,500 for the quarter ended March 31, 1991, a decrease of 7.8%. For the quarter ended March 31, 1992, revenues, excluding the effects of the Acquired Subsidiaries, were $2,518,000 compared to $2,288,900, an increase of 10.0%. The Company's revenues for the nine months ended March 31, 1992, were $10,369,100 (including $1,815,400 for the Acquired Subsidiaries) compared to $9,488,200, for the nine months ended March 31, 1991, an increase of 9.3%. For the nine months ended March 31, 1992, revenues, excluding the effects of the Acquired Subsidiaries, were $8,553,700 compared to $8,342,600 for the nine months ended March 31, 1991, an increase of 2.5%.

Results for the third quarter ended March 31, 1992, showed a reduction in revenue which contributed to the loss for the period and year to date as a result of the continuing recession. The Company's sales, lead by a strong performance by PC DOCS™ along with other application software, peripherals, service and software support agreements (excluding the Acquired Subsidiaries) increased by 9.3% over last year. Hardware sales, decreased from $1,791,400 for the nine months ended March 31, 1991 to $978,700 for the nine months ended March 31, 1992, a decrease of 45.4%. This decrease is attributable to the reduction in new system sales, as well as a decline in hardware prices. For the nine months ended March 31, 1992, sales from all other sources, including PC DOCS and other application software, peripherals, service and software support agreements (excluding the Acquired Subsidiaries) increased by 15.6% over the same period last year. Software support and hardware maintenance revenues continue to increase as a result of incremental services provided to a growing client base.

Cost of sales and services, as a percentage of revenues, increased to 51.2% for the three months ended March 31, 1992, from 38.1% for the three months ended March 31, 1991. This percentage is a direct reflection of the hardware/software sales mix. Excluding amounts related to the Acquired Subsidiaries, cost of sales and services, as a percentage of revenues, increased from 44.5% to 55.3% for the same period. Cost of sales and services, as a percentage of revenues, continued to decline to 40.9% for the nine months ended March 31, 1992, from 42.9% for the nine months ended March 31, 1991. Excluding amounts related to the Acquired Subsidiaries, cost of sales and services, as a percentage of revenues, decreased from 45.4% to 42.5% for the same nine-month period. The decrease was attributable to the increased sales of the Company's own higher margin products, PC DOCS and other application software, together with the increase in service revenues from existing clients. Included in the cost of sales figure for the three and nine-month periods ended March 31, 1992, was approximately $152,500 and $551,300, respectively, paid to The Quartex Corporation, (the Company's principal shareholder) for services provided for programming and customer support.

The Company's investment in software development, before capitalization, for the quarter ended March 31, 1992, was $542,900 compared to $206,000 for the same period last year. Excluding the Acquired Subsidiaries, software development costs, before capitalization, for the quarter ended March 31, 1992 were $435,600, compared to $206,000 for the same period last year. The capitalized portion of software development costs was $379,300 for the quarter ended March 31, 1992, compared to $130,000 for the same period last year. Software development expense for the quarter ended March 31, 1992, was $163,500, compared to $156,000 for the same period last year. The Company's software development cost, before capitalization, for the nine months ended March 31, 1992 were $1,516,200, compared to $756,000 for the same period last year. Excluding the Acquired Subsidiaries, software development costs, before capitalization, for the nine months ended March 31, 1992 were $861,200, compared to $756,000 for the same period last year. The capitalized portion of software development costs was $903,700 for the nine months ended March 31, 1992, compared to $438,000 for the same period last year. Software development expense for the nine months ended March 31, 1992, was $610,500, compared to $398,000 for the same period last year. For the nine-month period ended March 31, 1992, software development cost attributable to the Acquired Subsidiaries amounted to $653,000 before capitalization of $465,300.

Selling, general and administrative expenses for the quarter ended March 31, 1992, were $1,550,700 or 49.3% of total revenues, compared to $1,665,800 or 48.5% of total revenues for the quarter ended March 31, 1991. Selling, general and administrative expenses, excluding the Acquired Subsidiaries, for the quarter ended March 31, 1992 were $1,091,100 or 43.4% of revenues, compared to $1,362,000 or 39.5% for the same period last year, a decrease of 16.1%. Selling general and administrative expenses for the nine months ended March 31, 1992 were $5,570,400 or 53.7% of revenues, compared to $4,186,200 or 44.1% of revenues. Selling, general and administrative expenses, excluding the Acquired Subsidiaries, for the nine months ended March 31, 1992 were $4,315,400 or 50.5%, compared to $3,882,600 or 46.5% for the same period last year, an increase of 4.0% as a percentage of revenues. The increase in selling, general and administrative expenses occurred during a period of expansion from July 1, 1991 to December 31, 1991. The increase in selling, general and administrative expenses as a percentage of total revenues for the nine months ended March 31, 1992 resulted from lower than expected revenues to offset expenses incurred. These increases are attributable to the Company's head office expansion and the increase in sales, marketing, programming and support staff. Included in the selling, general and administrative figures for the three and nine month periods ended March 31, 1992, was approximately $60,200 and $140,200 respectively, charged by The Quantex Corporation for services. The Company is taking steps to decrease the selling, general and administrative expenses by implementing a number of cost reduction programs.

The net loss for the quarter ended March 31, 1992 was $224,600, compared to earnings of $102,000 for the same period last year. The loss excluding the Acquired Subsidiaries, for the quarter ended March 31, 1992 was $385,600, compared to a loss of $288,800 for the quarter ended March 31, 1991. The loss per share for the three-month period was $0.06 on 3,859,000 weighted average shares outstanding compared to the gain per share of $0.03 on 3,608,000 weighted average outstanding for the same period last year. The loss for the nine months ended March 31, 1992 was $383,400 (including a loss for the Acquired Subsidiaries of $168,600). The loss for the nine months ended March 31, 1992 was $214,800, excluding the Acquired Subsidiaries, compared to a loss of $45,400 for the nine months ended March 31, 1991. The loss per share for the nine-month period was $0.10 on 3,859,000 weighted average shares outstanding compared to earnings per share of $0.10 on 3,301,900 weighted average shares outstanding for the same period last year. All figures reported for the three and nine-month periods are stated after the effect of income taxes. The Company expects that the Acquired Subsidiaries will continue to have a short term negative impact on the Company's earnings.

During the quarter ended March 31, 1992, the Company wrote down the value of its investment securities. This adjustment of the Company's cost basis in the investment required a charge to operations of $103,900 which is included in the determination of the net loss for the period.

As discussed above, the Company's investment in sales, marketing, programming and support staff has increased operating expenses and adversely affected net income. The Acquired Subsidiaries' product development program negatively impacted their earnings for the quarter and nine months ended March 31, 1992, which in turn further increased the Company's net losses. The Acquired Subsidiaries were acquired by the Company principally because of their position in the marketplace, strong client base, products and development teams.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash from operations. Cash used for operating activities for the nine months ended March 31, 1992 amounted to $1,394,000, compared to cash used of $801,900 for the same period last year. The Company may continue to experience temporary periods of negative cash flow from operations as a result of the current recessionary and economic conditions, which may have an adverse impact on revenues and the Company's collection of accounts receivable. The Company's working capital was $2,865,800 at March 31, 1992, compared to working capital of $3,977,700 at March 31, 1991. Contributing to the decrease in working capital is the continued investment in product development, the building of a national marketing and sales organization, the integration of the Acquired Subsidiaries and the continued expansion of the PC DOCS dealer network.

The Company leases its corporate offices and certain computer and office equipment under operating leases through June, 1996, at an approximate minimum rental of $556,000 for fiscal 1992 and $513,000 for fiscal 1993. The Company estimates that its capital expenditures will be approximately $200,000 for the year ending June 30, 1992, but has not entered into any material capital purchase commitments. The Company continues to invest significant funds in software development costs associated with enhancing and improving the Company's existing software products and developing new products. Management believes that cash from operations and from other sources which may be available are adequate to fund the Company's capital expenditures for at least the next two years.

FLUCTUATIONS IN INTERIM PERIOD OPERATING RESULTS

Management of the Company believes that historically, interim results and period-to-period comparisons have been neither predictable nor an accurate measure of the annual performance of the Company. The Company has experienced and expects to continue to experience interim period-to-period fluctuations in the number of systems sold, revenues and net income. These fluctuations are primarily a result of the revenues of the Company being generated principally by the sale of a small number of relatively large systems, the Company's policy of recognizing revenue only when the system's hardware is shipped, and the client's desire to accelerate or stagger system installations. These factors tend to distort the operating results of an interim period. Additionally, sales are not made or recognized evenly throughout the fiscal year or any interim period, thus making meaningful interim period comparisons difficult. These fluctuations may also have a significant impact on profitability in any interim period as a result of the relatively fixed nature of operating costs and selling, general and administrative expenses.

Prevailing recessionary conditions affecting the legal profession have resulted in and may continue to result in delays in client purchase decisions in the Company's target markets.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 10, 1992, the Company commenced two independent actions in the Circuit Court of Leon County, Florida against a former employee. One action seeks collection of a promissory note and mortgage in the principal amount of $100,000 executed by the former employee; the other requests temporary and permanent injunctive relief against threatened interference by the former employee with relations between the Company and its customers, suppliers, consultants, employees, officers and directors.

In the collection and foreclosure action, the former employee counterclaimed for an unspecified amount of compensatory and punitive damages for fraudulent inducement and breach of his employment agreement. The court has struck the punitive damage claim and dismissed the fraudulent inducement claim, in each case, without prejudice to the former employee's right to re-plead these claims. The court also granted a temporary injunction in favor of the Company in the second action.

Management of the Company believes that its claims against the former employee are meritorious and does not believe that there is any merit to the former employee's claims against the Company. The Company intends to vigorously pursue its claims and defend the employee's counterclaims in the two actions.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CMS/DATA CORPORATION
Registrant

DATE: May 14, 1992

Rubin I. Osten
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

DATE: May 14, 1992

Andrew M. Kandel
President, Chief Operating Officer
and Director

DATE: May 14, 1992

Esther Steinberg
Vice President, Finance
(Principal Financial and Accounting Officer)